

REPSOL Group

**2018** Alternative  
Performance  
Measures  
reconciliations  
3rd Quarter and  
9 months of 2018

*Translation of a report  
originally issued in Spanish.  
In the event of a discrepancy,  
the Spanish language version prevails*



## ALTERNATIVE PERFORMANCE MEASURES

Repsol's financial information contains indicators and measures prepared in accordance with applicable financial information regulations, as well as other measures prepared in accordance with the Group's Reporting Model defined as Alternative Performance Measures (APMs). APMs are measures which are "adjusted" compared to those presented as IFRS-EU or with Supplementary Information on Oil and Gas Exploration and Production Activities, and the reader should therefore consider them in addition to, but not instead of, the latter.

APM are highly useful for users of financial information as they are the measures employed by Repsol's Management to evaluate its financial performance, cash flows, or its financial position when making operational or strategic decisions for the Group.

### 1. Financial performance measures

#### *Adjusted net income*

€ Million	Nine months accumulated <sup>(3)</sup>											
	Adjusted Result		ADJUSTMENTS								EU-IFRS profit/loss	
			Joint venture reclassification		Special items		Inventory effect <sup>(2)</sup>		Total Adjustments			
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating income	3,096 <sup>(1)</sup>	2,407 <sup>(1)</sup>	(593)	(353)	(146)	(78)	374	(66)	(365)	(497)	2,731	1,910
Financial result	(290)	(339)	91	50	135	21	-	-	226	71	(64)	(268)
Share of results of companies accounted for using the equity method	39	36	355	204	-	2	-	-	355	206	394	242
<b>Net income before tax</b>	<b>2,845</b>	<b>2,104</b>	<b>(147)</b>	<b>(99)</b>	<b>(11)</b>	<b>(55)</b>	<b>374</b>	<b>(66)</b>	<b>216</b>	<b>(220)</b>	<b>3,061</b>	<b>1,884</b>
Income tax	(1,105)	(530)	147	99	(220)	(14)	(96)	16	(169)	101	(1,274)	(429)
<b>Profit from continuing operations</b>	<b>1,740</b>	<b>1,574</b>	<b>-</b>	<b>-</b>	<b>(231)</b>	<b>(69)</b>	<b>278</b>	<b>(50)</b>	<b>47</b>	<b>(119)</b>	<b>1,787</b>	<b>1,455</b>
Income from continuing operations attributed to non-controlling interests	(20)	(31)	-	-	1	-	(9)	-	(8)	-	(28)	(31)
<b>Income from continuing operations attributed to the Parent</b>	<b>1,720</b>	<b>1,543</b>	<b>-</b>	<b>-</b>	<b>(230)</b>	<b>(69)</b>	<b>269</b>	<b>(50)</b>	<b>39</b>	<b>(119)</b>	<b>1,759</b>	<b>1,424</b>
Profit from discontinued operations	-	-	-	-	412	159	-	-	412	159	412	159
<b>TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT. COMPANY</b>	<b>1,720</b>	<b>1,543</b>	<b>-</b>	<b>-</b>	<b>182</b>	<b>90</b>	<b>269</b>	<b>(50)</b>	<b>451</b>	<b>40</b>	<b>2,171</b>	<b>1,583</b>

€ Million	Third quarter <sup>(3)</sup>											
	Adjusted Result		ADJUSTMENTS								EU-IFRS profit/loss	
	2018	2017	Joint venture reclassification		Special items		Inventory effect <sup>(2)</sup>		Total Adjustments		2018	2017
Operating income	1,053 <sup>(1)</sup>	794 <sup>(1)</sup>	(307)	(132)	96	(29)	92	20	(119)	(141)	934	653
Financial result	(115)	(110)	31	11	(11)	16	-	-	20	27	(95)	(83)
Share of results of companies accounted for using the equity method	18	12	183	116	-	2	-	-	183	118	201	130
<b>Net income before tax</b>	<b>956</b>	<b>696</b>	<b>(93)</b>	<b>(5)</b>	<b>85</b>	<b>(11)</b>	<b>92</b>	<b>20</b>	<b>84</b>	<b>4</b>	<b>1,040</b>	<b>700</b>
Income tax	(359)	(154)	93	5	(116)	(48)	(24)	(6)	(47)	(49)	(406)	(203)
<b>Profit from continuing operations</b>	<b>597</b>	<b>542</b>	<b>-</b>	<b>-</b>	<b>(31)</b>	<b>(59)</b>	<b>68</b>	<b>14</b>	<b>37</b>	<b>(45)</b>	<b>634</b>	<b>497</b>
Income from continuing operations attributed to non-controlling interests	(9)	(14)	-	-	1	-	(1)	(4)	-	(4)	(9)	(18)
<b>Income from continuing operations attributed to the Parent</b>	<b>588</b>	<b>528</b>	<b>-</b>	<b>-</b>	<b>(30)</b>	<b>(59)</b>	<b>67</b>	<b>10</b>	<b>37</b>	<b>(49)</b>	<b>625</b>	<b>479</b>
Profit from discontinued operations	-	-	-	-	-	48	-	-	-	48	-	48
<b>TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT. COMPANY</b>	<b>588</b>	<b>528</b>	<b>-</b>	<b>-</b>	<b>(30)</b>	<b>(11)</b>	<b>67</b>	<b>10</b>	<b>37</b>	<b>(1)</b>	<b>625</b>	<b>527</b>

<sup>(1)</sup> Income from continuing operations at current cost of supply (CCS).

<sup>(2)</sup> The inventory effect represents an adjustment to "Supplies" and "Changes in inventory of finished goods and work in progress" on the income statement under IFRS-EU.

<sup>(3)</sup> The information for the third quarter of 2017 and the first nine months of 2018 has been restated following the sale of the shareholding in Naturgy Energy Group, S.A. (see Note 2 of the consolidated interim financial statements of the third quarter of 2018).

### Special Items

€ Million	3Q	
	2018	2017
Divestments	52	(2)
Workforce restructuring charges	(25)	(13)
Impairment	(2)	1
Provisions and other <sup>(1)</sup>	(55)	(45)
Interrupted operations	-	48
<b>TOTAL</b>	<b>(30)</b>	<b>(11)</b>

<sup>(1)</sup> Includes the effect of the exchange rate on tax positions in currencies other than the functional currency.

### EBITDA:

	Nine months accumulated							
	Group Reporting Model		Joint venture reclassification and other		Inventory effect		IFRS-EU <sup>(1)</sup>	
	2018	2017	2018	2017	2018	2017	2018	2017
Upstream	3,577	2,421	(1,289)	(976)	-	-	2,288	1,445
Downstream	2,390	2,422	(8)	(9)	-	-	2,382	2,413
Corporate and other	(134)	(128)	16	12	-	-	(118)	(116)
<b>EBITDA</b>	<b>5,833</b>	<b>4,715</b>	<b>(1,281)</b>	<b>(973)</b>	<b>-</b>	<b>-</b>	<b>4,552</b>	<b>3,742</b>
<b>EBITDA CCS</b>	<b>5,459</b>	<b>4,781</b>	<b>(1,281)</b>	<b>(973)</b>	<b>374</b>	<b>(66)</b>	<b>4,552</b>	<b>3,742</b>

	Third quarter							
	Group Reporting Model		Joint venture reclassification and other		Inventory effect		IFRS-EU <sup>(1)</sup>	
	2018	2017	2018	2017	2018	2017	2018	2017
Upstream	1,288	755	(431)	(334)	-	-	857	421
Downstream	741	904	(4)	(4)	-	-	737	900
Corporate and other	(7)	(52)	(38)	12	-	-	(45)	(40)
<b>EBITDA</b>	<b>2,022</b>	<b>1,607</b>	<b>(473)</b>	<b>(326)</b>	<b>-</b>	<b>-</b>	<b>1,549</b>	<b>1,281</b>
<b>EBITDA CCS</b>	<b>1,930</b>	<b>1,587</b>	<b>(473)</b>	<b>(326)</b>	<b>92</b>	<b>20</b>	<b>1,549</b>	<b>1,281</b>

<sup>(1)</sup> Corresponds to "Profit before tax" and "Result adjustments" on the consolidated Statement of Cash Flows prepared under IFRS-EU.

## ROACE:

NUMERATOR	9M 2018		9M 2017	
Operating income (EU-IFRS)	2,731		1,910	
Reclassification of joint ventures	593		353	
Income tax <sup>(1)</sup>	(1,370)		(628)	
Share of profit (loss) of entities accounted for using the equity method - net of tax	39		38	
<b>I. ROACE result at average weighted cost</b>	<b>1,993</b>	<b>2,746 <sup>(2)</sup></b>	<b>1,673</b>	<b>2,261 <sup>(2)</sup></b>
<b>DENOMINATOR (€ Million)</b>				
Total equity			31,523	30,056
Net financial debt			2,304	6,972
<b>Capital employed at year end</b>			<b>33,827</b>	<b>37,028</b>
<b>II. Average capital employed <sup>(3)</sup></b>			<b>33,467</b>	<b>34,907</b>
<b>CCS ROACE (I/II)</b>			<b>8.2</b>	<b>6.5</b>

<sup>(1)</sup> Does not include income tax corresponding to financial results.

<sup>(2)</sup> Figure annualized by extrapolating the data for the period (excluding Special Items).

<sup>(3)</sup> Corresponds to the average balance of capital employed at the beginning and end of the period of continuing operations.

## 2. Cash flow measures

### Free Cash Flow, Cash Generated

	Nine months accumulated					
	Adjusted cash flow		Joint venture reclassification and other		IFRS-EU cash flow statement	
	2018	2017	2018	2017	2018	2017
I. Cash flows from / (used in) operating activities (cash flow from operations)	3,351	3,577	(532)	(309)	2,819	3,268
II. Cash flows from / (used in) investing activities	1,849	(1,901)	(1,140)	-	709	(1,901)
<b>Free cash flow (I+II)</b>	<b>5,200</b>	<b>1,676</b>	<b>(1,672)</b>	<b>(309)</b>	<b>3,528</b>	<b>1,367</b>
<b>Cash flow generated</b>	<b>3,723</b>	<b>708</b>	<b>(1,669)</b>	<b>(307)</b>	<b>2,054</b>	<b>401</b>
III. Cash flows from / (used in) financing activities and others <sup>(1)</sup>	(4,523)	(1,764)	1,695	298	(2,828)	(1,466)
<b>Net increase / (decrease) in cash and cash equivalents (I+II+III)</b>	<b>677</b>	<b>(88)</b>	<b>23</b>	<b>(11)</b>	<b>700</b>	<b>(99)</b>
Cash and cash equivalents at the beginning of the period	4,820	4,918	(219)	(231)	4,601	4,687
Cash and cash equivalents at the end of the period	5,497	4,830	(196)	(242)	5,301	4,588

	Third quarter					
	Adjusted cash flow		Joint venture reclassification and other		IFRS-EU cash flow statement	
	2018	2017	2018	2017	2018	2017
I. Cash flows from / (used in) operating activities (cash flow from operations)	1,625	1,402	(175)	(216)	1,450	1,186
II. Cash flows from / (used in) investing activities	(731)	(669)	45	(114)	(686)	(783)
<b>Free cash flow (I+II)</b>	<b>894</b>	<b>733</b>	<b>(130)</b>	<b>(330)</b>	<b>764</b>	<b>403</b>
<b>Cash flow generated</b>	<b>350</b>	<b>436</b>	<b>(131)</b>	<b>(332)</b>	<b>219</b>	<b>104</b>
III. Cash flows from / (used in) financing activities and others <sup>(1)</sup>	(1,308)	(845)	123	313	(1,185)	(532)
<b>Net increase / (decrease) in cash and cash equivalents (I+II+III)</b>	<b>(414)</b>	<b>(112)</b>	<b>(7)</b>	<b>(17)</b>	<b>(421)</b>	<b>(129)</b>
Cash and cash equivalents at the beginning of the period	5,911	4,942	(189)	(225)	5,722	4,717
Cash and cash equivalents at the end of the period	5,497	4,830	(196)	(242)	5,301	4,588

<sup>(1)</sup> Includes payments for dividends and payments on other equity instruments, interest payments, other proceeds from/ (payments for) financing activities, proceeds from / (payments for) equity instruments, proceeds from / (payments for) financial liabilities and the exchange rate fluctuations effect.

## Liquidity

	Nine months accumulated					
	Group Reporting Model		Joint arrangements reclassification and other		IFRS-EU	
	Sept - 2018	Dec - 2017	Sept - 2018	Dec - 2017	Sept - 2018	Dec - 2017
Cash and cash equivalents	5,497	4,820	(196)	(219)	5,301	4,601
Undrawn credit lines	2,346	2,503	-	-	2,346	2,503
Cash deposits of immediate availability <sup>(1)</sup>	1,501	231	-	-	1,501	231
<b>Liquidity</b>	<b>9,345</b>	<b>7,554</b>	<b>(196)</b>	<b>(219)</b>	<b>9,148</b>	<b>7,335</b>

<sup>(1)</sup> Repsol contracts time deposits but with immediate availability that are recognized under "Other current financial assets" (see Note 4.2 of the interim financial statements) and that do not meet the criteria to be classified as cash and cash equivalents.

## Operating Investments:

	Nine months accumulated					
	Operating investments		Joint venture reclassification and other		IFRS-EU <sup>(1)</sup>	
	2018	2017	2018	2017	2018	2017
Upstream	1,423	1,373	(261)	(298)	1,162	1,075
Downstream	560	445	(2)	(1)	558	444
Corporate and other	36	25	-	(1)	36	24
<b>TOTAL</b>	<b>2,019</b>	<b>1,843</b>	<b>(263)</b>	<b>(300)</b>	<b>1,756</b>	<b>1,543</b>

	Third quarter					
	Operating investments		Joint venture reclassification and other		IFRS-EU <sup>(1)</sup>	
	2018	2017	2018	2017	2018	2017
Upstream	523	467	(131)	(109)	392	358
Downstream	235	166	(3)	(1)	232	165
Corporate and other	16	9	-	(7)	16	2
<b>TOTAL</b>	<b>774</b>	<b>642</b>	<b>(134)</b>	<b>(117)</b>	<b>640</b>	<b>525</b>

<sup>(1)</sup> This corresponds to "Payments on investments" on the consolidated statement of cash flows prepared under IFRS-EU, and does not include items corresponding to "Other financial assets."

### 3. Financial position indicators

#### Net Debt

	Net Debt			Joint venture reclassification <sup>(1)</sup>			Figure according to IFRS - EU balance sheet Figure according to IFRS-EU balance sheet		
	Sept - 18	Dec-17	Sept - 17	Sept - 18	Dec-17	Sept - 17	Sept - 18	Dec-17	Sept - 17
<b>Non-current assets</b>									
Non-current financial instruments <sup>(2)</sup>	34	360	374	1,470	1,560	699	1,504	1,920	1,073
<b>Current assets</b>									
Other current financial assets	1,725	254	238	(63)	3	1,122	1,662	257	1,360
Cash and cash equivalents	5,497	4,820	4,830	(196)	(219)	(242)	5,301	4,601	4,588
<b>Non-current liabilities<sup>(3)</sup></b>									
Non-current financial liabilities	(6,511)	(7,611)	(8,155)	(2,750)	(2,469)	147	(9,261)	(10,080)	(8,008)
<b>Current liabilities<sup>(3)</sup></b>									
Current financial liabilities	(3,355)	(4,160)	(4,334)	(243)	(46)	(2,665)	(3,598)	(4,206)	(6,999)
<b>Items not included on the balance sheet</b>									
Net mark to market valuation of financial derivatives (ex: exchange rate) <sup>(4)</sup>	306	70	75	(269)	-	-	37	70	75
<b>NET DEBT</b>	<b>(2,304)</b>	<b>(6,267)</b>	<b>(6,972)</b>				<b>(4,355)</b>	<b>(7,438)</b>	<b>(7,911)</b>

<sup>(1)</sup> Mainly includes the net financing of the Repsol Sinopec Brazil Group, broken down in the following sections:

*September 2018*: (Cash and cash equivalents of €52 million and current financial liabilities as a result of an intra-group loan of €2,772 million, less €145 million in third-party loans)

*December 2017*: (Cash and cash equivalents of €28 million and current financial liabilities as a result of an intra-group loan of €2,624 million, less €275 million in third-party loans)

*September 2017*: (Cash and cash equivalents of €20 million and current financial liabilities as a result of an intra-group loan of €2,647 million, less €347 million in third-party loans)

<sup>(2)</sup> Corresponds to the consolidated balance sheet heading, "Non-current financial assets" (but does not include equity instruments).

<sup>(3)</sup> Does not include finance lease obligations.

<sup>(4)</sup> The net mark to market value of financial derivatives different from exchange rate derivatives has been eliminated from this section.

#### Gross Debt

	Gross Debt			Joint venture reclassification and other			Figure according to IFRS-EU balance sheet		
	Sept - 18	Dec-17	Sept - 17	Sept - 18	Dec-17	Sept - 17	Sept - 18	Dec-17	Sept - 17
Current financial liabilities	(3,309)	(4,133)	(4,311)	(242)	(45)	(2,664)	(3,551)	(4,178)	(6,975)
Net valuation at the market rates of financial derivative, such as current exchange rate	64	(9)	7	-	-	-	64	(9)	7
<b>Current gross debt</b>	<b>(3,245)</b>	<b>(4,142)</b>	<b>(4,304)</b>	<b>(242)</b>	<b>(45)</b>	<b>(2,664)</b>	<b>(3,487)</b>	<b>(4,187)</b>	<b>(6,968)</b>
Non-current financial liabilities	(6,463)	(7,542)	(8,080)	(2,750)	(2,470)	146	(9,213)	(10,012)	(7,934)
<b>Non-current gross debt</b>	<b>(6,463)</b>	<b>(7,542)</b>	<b>(8,080)</b>	<b>(2,750)</b>	<b>(2,470)</b>	<b>146</b>	<b>(9,213)</b>	<b>(10,012)</b>	<b>(7,934)</b>
<b>GROSS DEBT</b>	<b>(9,708)</b>	<b>(11,684)</b>	<b>(12,384)</b>	<b>(2,993)</b>	<b>(2,515)</b>	<b>(2,517)</b>	<b>(12,701)</b>	<b>(14,199)</b>	<b>(14,901)</b>

## Interest cover

### Nine months accumulated

€ Million	Group Reporting Model		Joint venture reclassification		Figure according to IFRS - EU balance sheet	
	2018	2017	2018	2017	2018	2017
Interest	215	268	(44)	(49)	171	219
EBITDA	5,833	4,715	(1,281)	(973)	4,552	3,742
<b>Interest cover</b>	<b>3.7%</b>	<b>5.7%</b>			<b>3.8%</b>	<b>5.9%</b>

### Third quarter

€ Million	Group Reporting Model		Joint venture reclassification		Figure according to IFRS - EU balance sheet	
	2018	2017	2018	2017	2018	2017
Interest	71	85	(13)	(15)	57	70
EBITDA	2,022	1,607	(473)	(326)	1,549	1,281
<b>Interest cover</b>	<b>3.5%</b>	<b>5.3%</b>			<b>3.7%</b>	<b>5.5%</b>